

## Briefing:

# Poverty and housing in the private rented sector

31 January 2019

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### Summary of key points:

#### Reducing poverty with homes for social rent

High housing costs both cause and worsen poverty in England. For households living in poverty in the private rented sector, social rent could make a real difference. In this briefing we outline the key findings from our analysis that shows the positive impact that social rent could make to households in relative poverty after housing costs who are paying a market rent in the private rented sector. This includes:

- leaving an estimated 842,351 (71%) households in poverty better off
- lifting 315,047 households and 828,595 people out of relative poverty including 139,138<sup>\*1</sup> households with one or more children (equating to around 242,753\* children)
- saving Housing Benefit payments to 502,012 households, with an estimated saving of around £50.50\* households per week or an estimated collective saving of £1,783,074,042\*.

#### Background to relative poverty after housing costs in England

- In England, just under a fifth (18% or 4,202,791) of households are in relative poverty after housing costs, including 1,599,197 households who are in poverty as a result of their housing costs.
- The difference between poverty before housing costs and after housing costs is particularly marked in the private rented sector. Over half (53%, 775,773 households) of those in poverty in the private rented sector were not in poverty before paying their rent.
- Households with children experience higher rates of poverty after housing costs across all tenures. 1,834,837 (28%) of households with one or more children, and 3,585,528 children (31%), are in poverty after housing costs are paid.
- Over the past decade the number of households with children living in the private rented sector has also grown disproportionately, rising from less than a million households in 2008/9 to 1,618,075 (2,840,681 children) by 2015/16.
- In the private rented sector, 44% of households with one or more children are in poverty after their rent is paid. A quarter (26%) of households are in poverty as a direct result of their housing costs. A third (33%) of households with children are living in poverty even though one or more adults in the household work full time.

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<sup>1</sup> ‘\*’ identifies a base size of fewer than 350 respondents in the English Housing Survey. These figures should be treated as indicative only.

## 1. Introduction

### 1.1 Key terms

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**Absolute poverty:** households with income below 60% of an inflation-adjusted median income in base year, usually 2010/11.<sup>i</sup> Absolute poverty levels both before and after housing costs have been falling since 2002/3 for the UK population.<sup>ii</sup>

**Relative poverty:** households with an income below 60% of the national median income that year. Relative low income has fallen slightly (from 18% to 16% between 2002/3 and 2016/17), while relative poverty after housing costs has remained relatively constant at 22% for the UK population.<sup>ii</sup>

**Poverty before housing costs and after housing costs:** income can be measured before or after housing costs have been deducted. Income includes income related benefits and Housing Benefit.

### 1.2 Overview

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Housing costs contribute considerably towards poverty in England. Just under a fifth (18% or 4,202,791) of households in England are pushed into relative poverty after housing costs. More than 1.5 million (1,599,197) of these households are in poverty as a result of their housing costs. The difference between poverty before and after housing costs is particularly marked in the private rented sector, where half (53%) of those in poverty were not in poverty before paying their rent.

This briefing explores poverty after housing costs in England using data from the 2015/16 English Housing Survey. It focuses on the rising numbers of households in poverty in the private rented sector. We also look at households with children, which have the highest rates of poverty after housing costs.

The impact of poverty is well documented in other reports, both in terms of the detrimental impact it has on wellbeing, child development and life chances<sup>iii iv</sup>, and the immediate and longer-term impacts it has on the economy, costing the country an estimated £78bn per year.<sup>v</sup> New analysis for this briefing looks at the positive effect that social rent would have on household resources and reducing poverty after housing costs for households in the private rented sector.

## 2. Background

### 2.1 Tenure in England over time

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The majority (63%) of households in England live in owner occupied accommodation, but the proportion has fallen over the last decade (see figure 1). Over the same time period, the private rented sector has grown both in terms of overall size (by 1,460,730 households or 48%) and the proportion of households living in a privately rented home (now 20%).

The growth of the private rented sector has not been equal across household types. By 2015/16 the private rented sector was housing a larger share of lone parent households (36% compared to 22%),

couples with dependent children (22% compared to 12%) and one person households aged under 60 (31% compared to 23%) than it was at the end of the last decade.

Some of this shift is accounted for by the fall in the proportion of households owning their own home (particularly for one person households), while the remainder is from local authority housing (particularly for lone parent households). This means that overall, the number of households with one or more children living in the private rented sector has grown disproportionately, from less than a million in 2008/9 to 1,618,075 (2,840,681 children) by 2015/16. This represents a growth of 77%, compared to a 48% growth in the private rented sector overall.

In 2011/12, the private rented sector overtook the social rented sector to be the second largest tenure for households with children. Lone parent households are the only household type for which the private rented sector is the largest tenure. Housing associations now house 92,792 more households with children than in 2008/9, but local authorities house 169,363 fewer households with children. This means that overall fewer households with children are living in socially rented homes.

Figure 1. Tenure of households over time

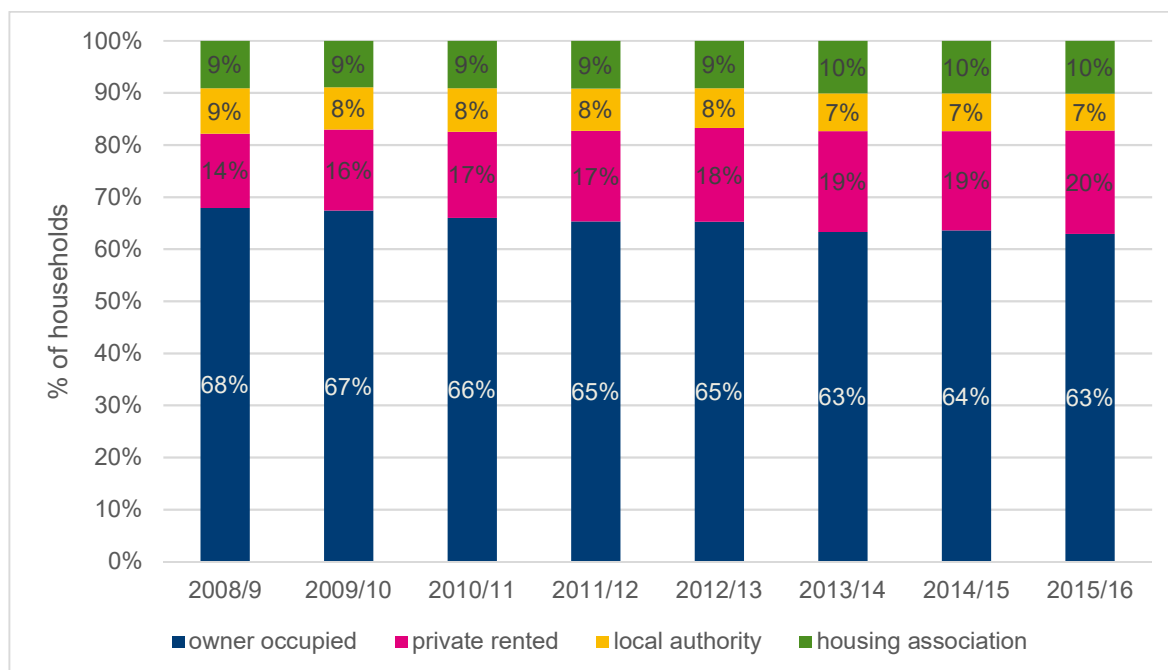


Figure 2. Tenure of households in England over time

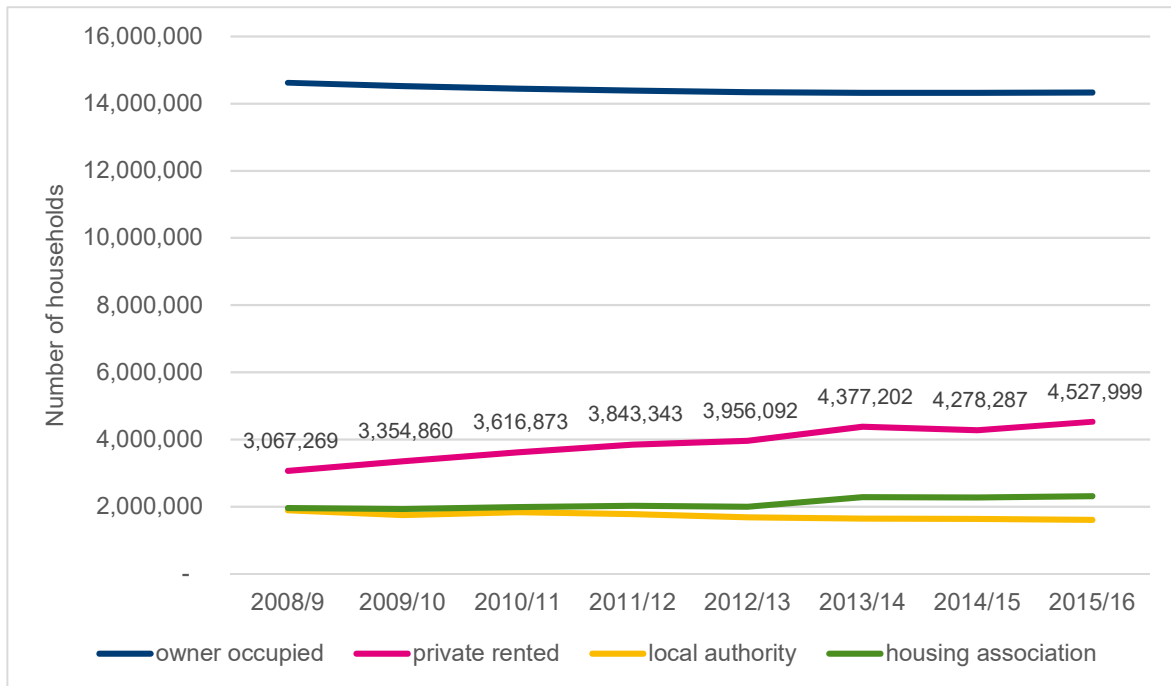


Figure 3. Tenure by household type in 2015/16

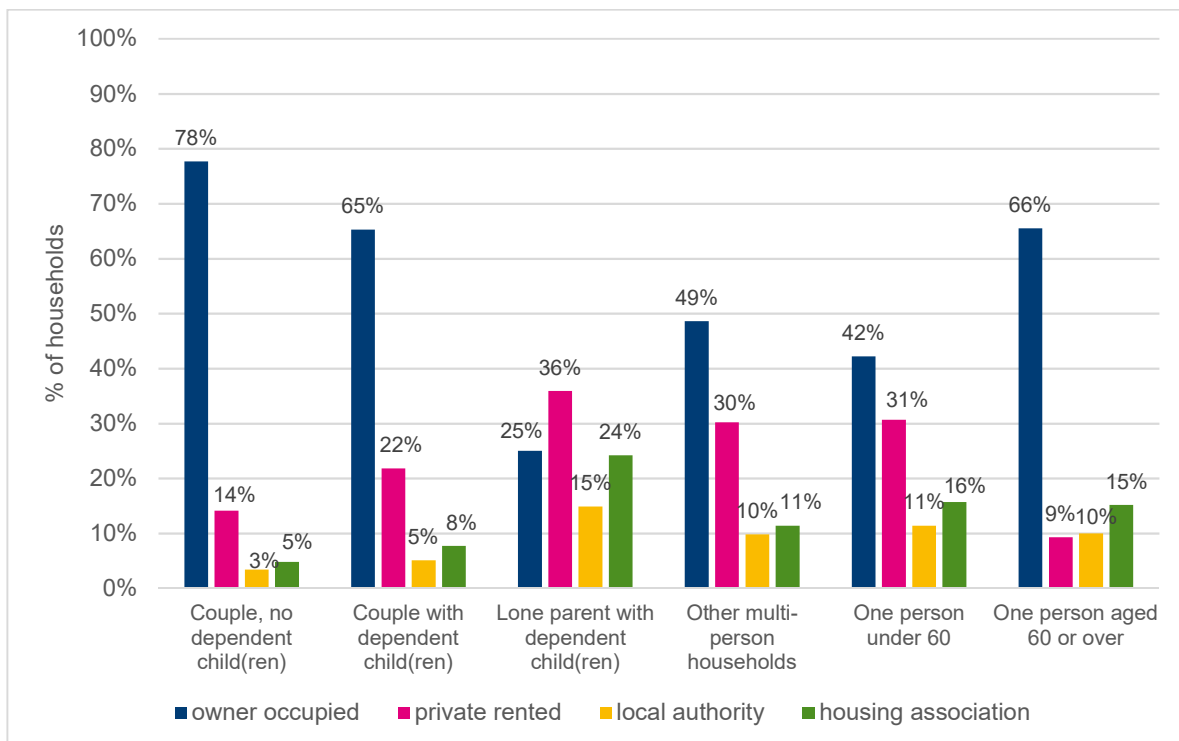


Figure 4. Tenure by household type in 2008/9

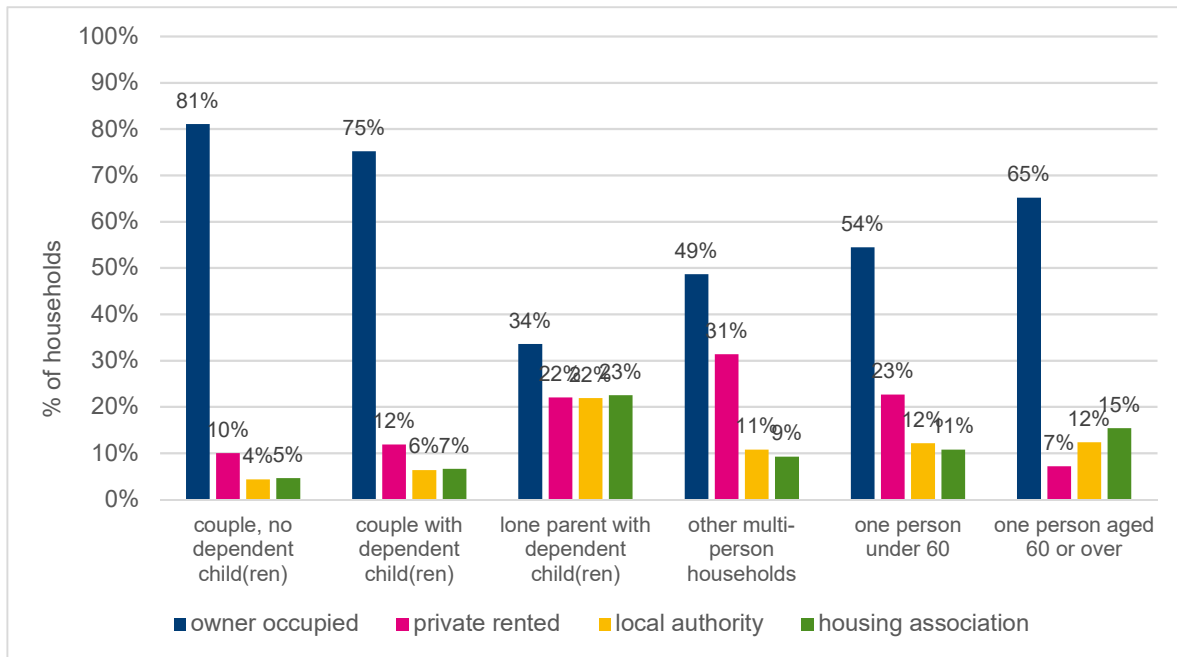


Figure 5. Number of households with one or more children by tenure

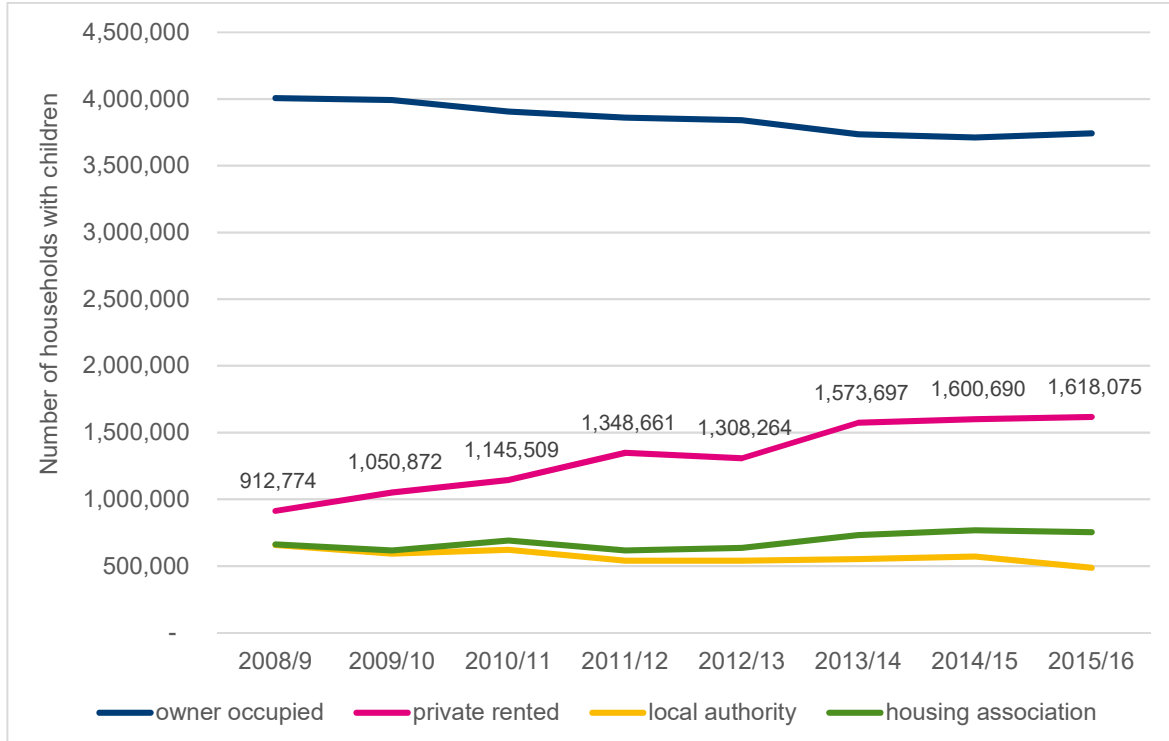
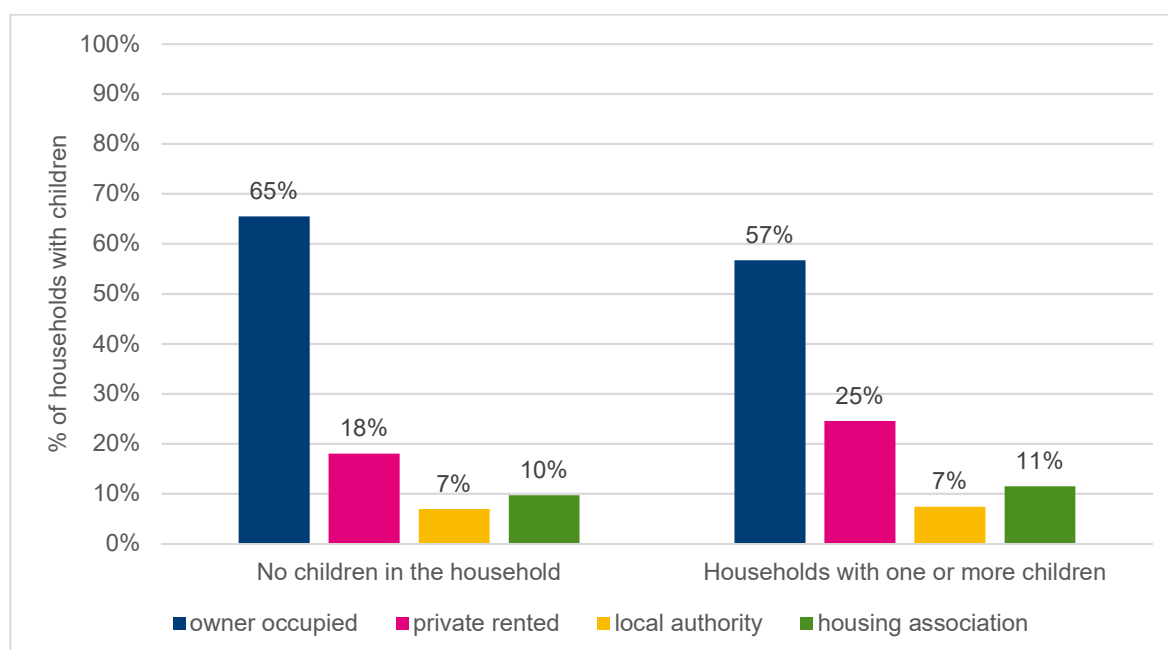


Figure 6. Tenure of households with children



### 3. Analysis

#### 3.1 Poverty and housing costs

Nationally, just under a fifth (18% or 4,202,791) of households are in relative poverty after housing costs. This includes more than 1.5 million households (1,599,197) that are not in poverty before their rent or mortgage is paid. The private rented sector now houses the largest share of households in relative poverty after housing costs at 35% or 1,468,883 households. This has risen from 24% in 2008/9.

The proportion of households in the private rented sector in relative poverty after housing costs remained at around a third of households (32% in 2015/16 and 35% in 2008/9) over this time, but, as noted above, the private rented sector has grown rapidly. In 2015/16 there were 397,931 more households in poverty in the private rented sector than there were in 2008/9.

Table one shows the dynamics of poverty before and after housing costs in greater detail. Households living in a socially rented home are more likely to be in poverty before housing costs (due to lower than average incomes), while households who fall into poverty as a result of housing costs are most likely to live in the private rented sector. In the private rented sector, housing costs double the number of households in poverty. Nationally, just under half (49%) of households that fall into poverty as a result of their housing costs live in a privately rented home (where rents are highest).

Figure 7. Number of households in poverty after housing costs by tenure

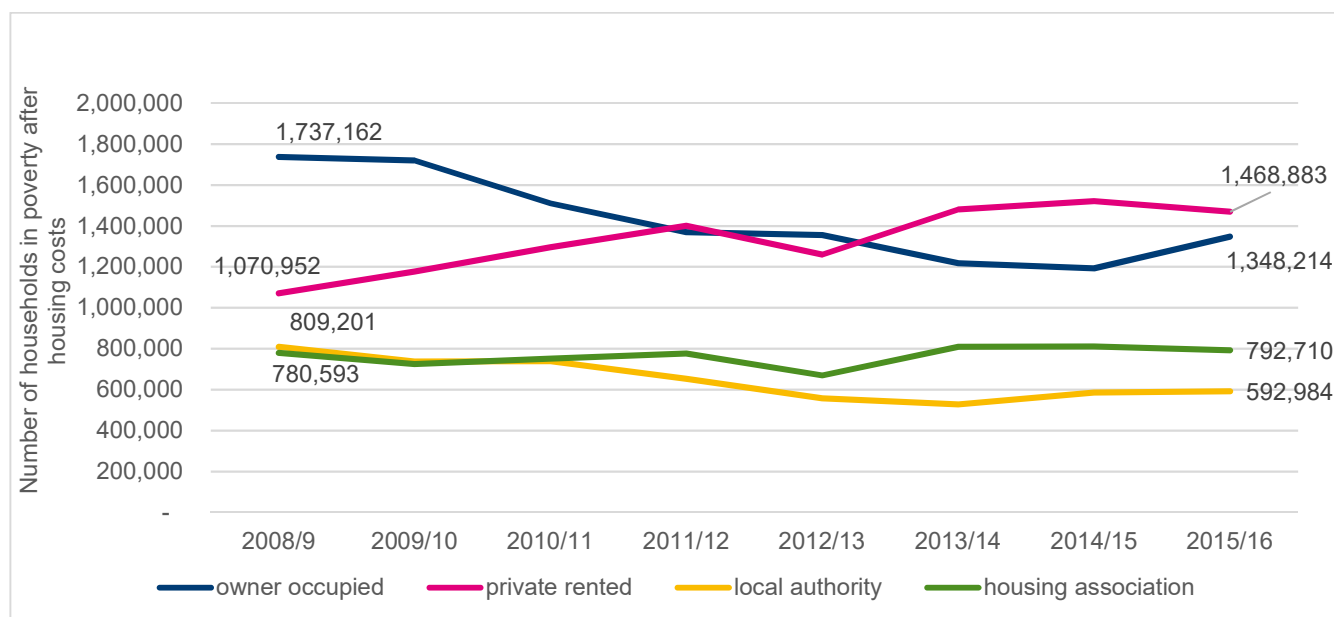


Table 1. The effect of housing costs on poverty by tenure

	Owner occupied	Private rented	Local authority	Housing association	All households
Housing costs put household into poverty	350,140	775,773	166,866	306,417	1,599,196
Household in poverty before and after housing costs	998,074	693,109	426,118	486,293	2,603,594
Housing costs remove household from poverty	834,127	18,005	2,582	3,741	858,455
Household not in poverty before or after housing costs	12,147,355	3,041,112	1,009,186	1,517,034	17,714,687
Total	14,329,696	4,527,999	1,604,752	2,313,485	22,775,932

Figure 8. Relative poverty before and after housing costs by tenure (a)

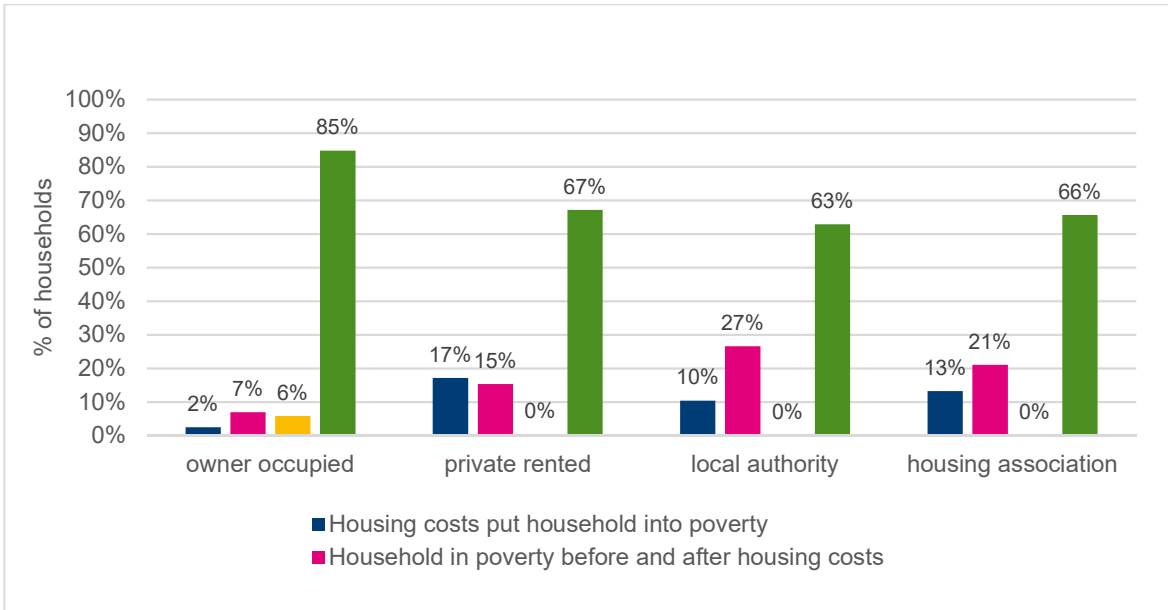


Figure 9. Relative poverty before and after housing costs by tenure (b)

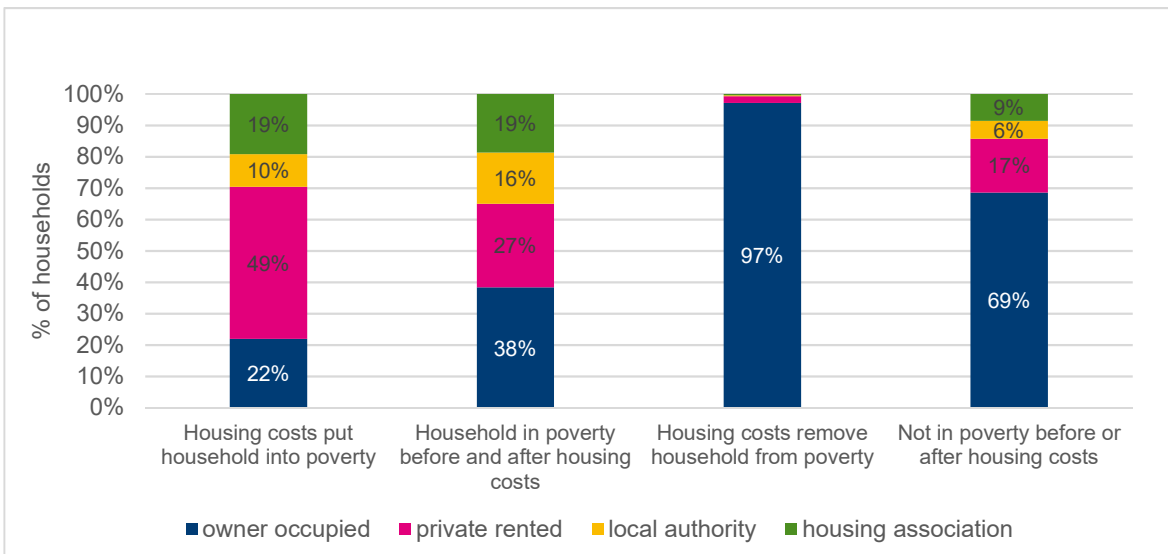
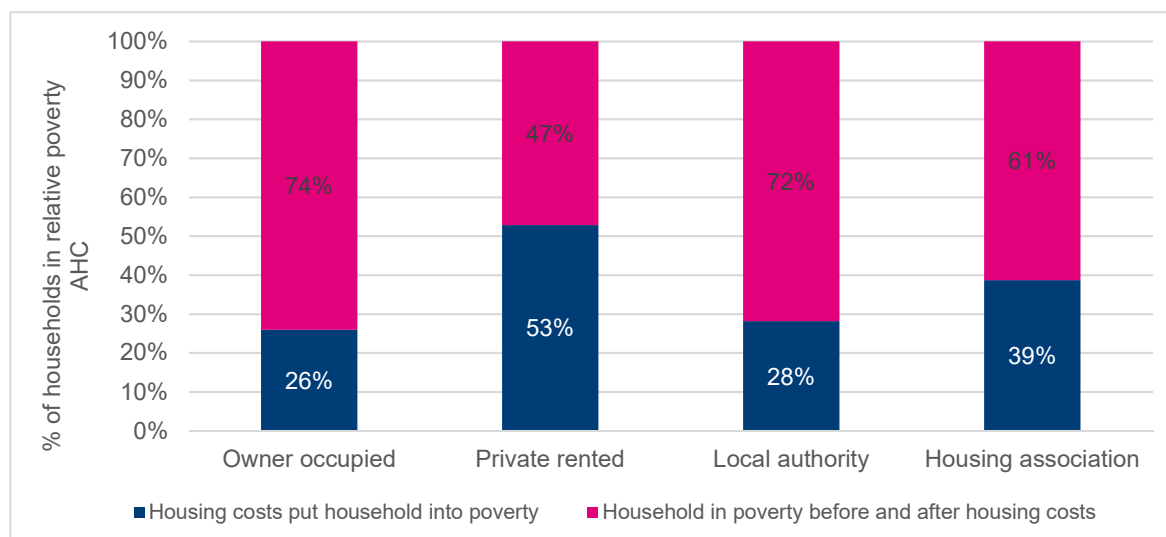




Figure 10. Relative poverty after housing costs by tenure (c)



### 3.2 Which households are the most likely to be in poverty after housing costs?

Households with children have by far the highest rates of poverty after housing costs and the rate has been rising since 2010.<sup>ii</sup> Across all tenures 1,834,837 (28%) of households with children, and 3,585,528 children (31%), are in poverty after housing costs are paid. Over half of these households (1,340,482) are working.

In the private rented sector in 2008/9 there were 453,721 households with children in poverty, a total of 781,270 children. This has risen to 708,704 (44%) households with children in 2015/16, totalling 1,318,595 children, as a result of the growth of the private rented sector (an increase of 537,325 or 69%). A quarter (26%) of households with children in the private rented sector are in poverty as a result of their housing costs.

Couples without dependent children have the lowest rate of poverty in the private rented sector at 17% (see figure 12), while 22%\*<sup>2</sup> of households with at least one person of state pension age are in poverty.

At 20%, poverty in the private rented sector is lower amongst households with at least one household member working full time. However, a third (33%) of households with children are below the poverty threshold even though one or more adults in the household work full time. Of the households with children in poverty in the private rented sector, 499,962 are working households.

<sup>2</sup> (\*) identifies a base size of fewer than 350 respondents in the English Housing Survey. These figures should be treated as indicative only.

Figure 11. Percentage of households in poverty in the private rented sector by household type

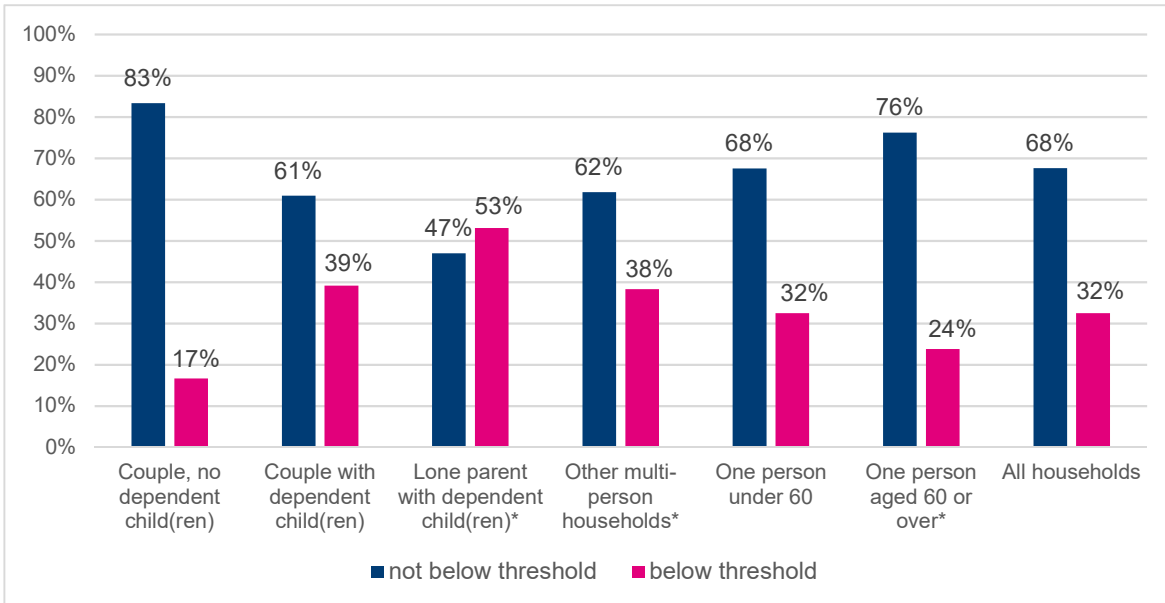


Figure 12. Number of households in poverty in the private rented sector by household type

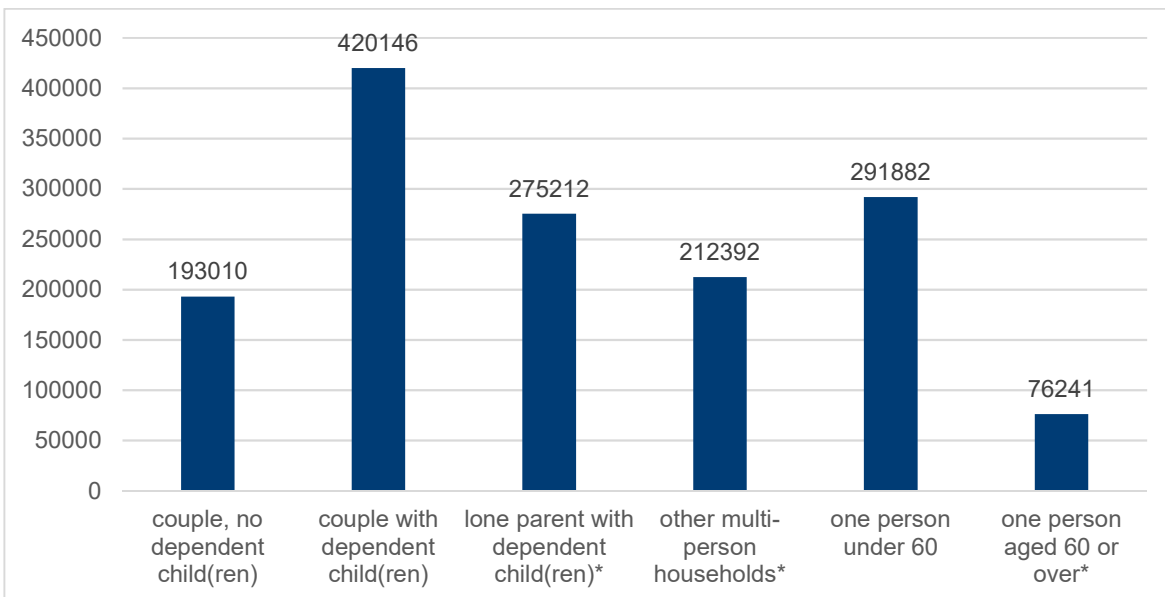


Figure 13. Percentage of households in the private rented sector with children in relative poverty after housing costs

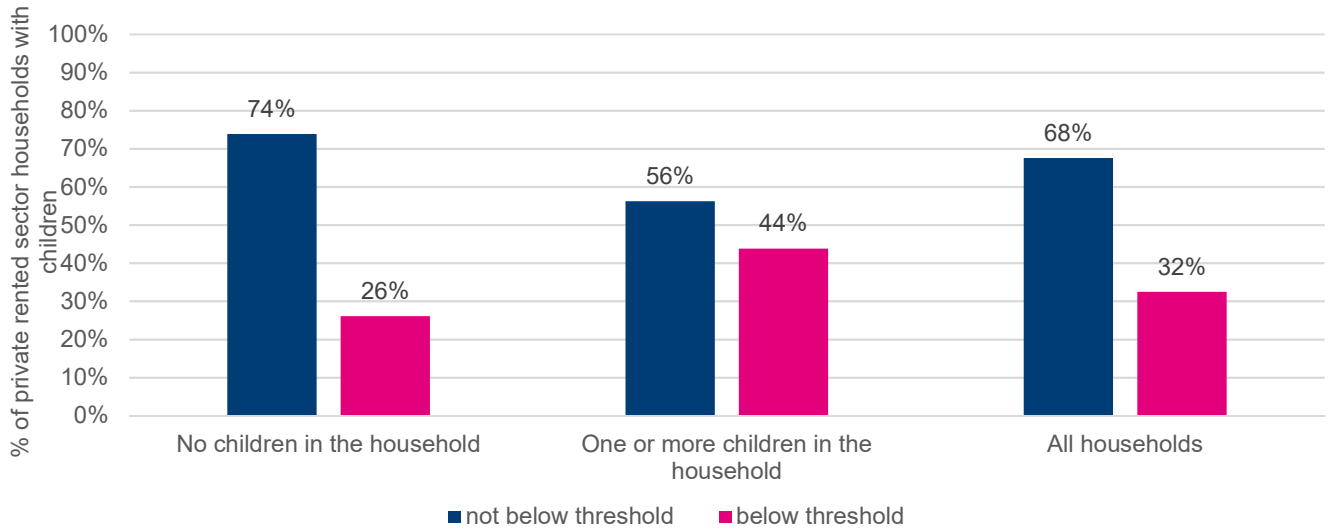


Figure 14. Poverty after housing costs in the private rented sector by work status (all households)

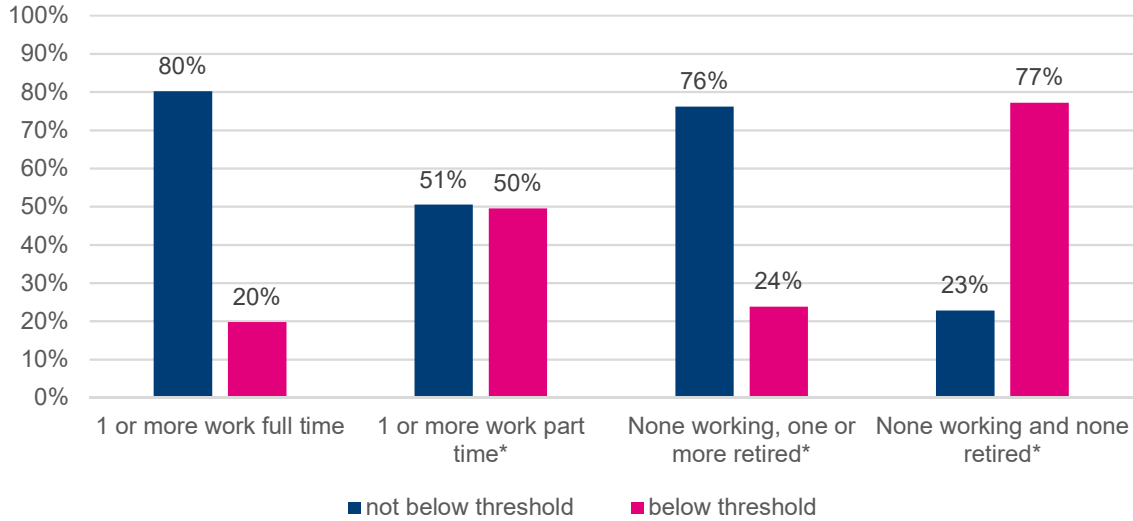
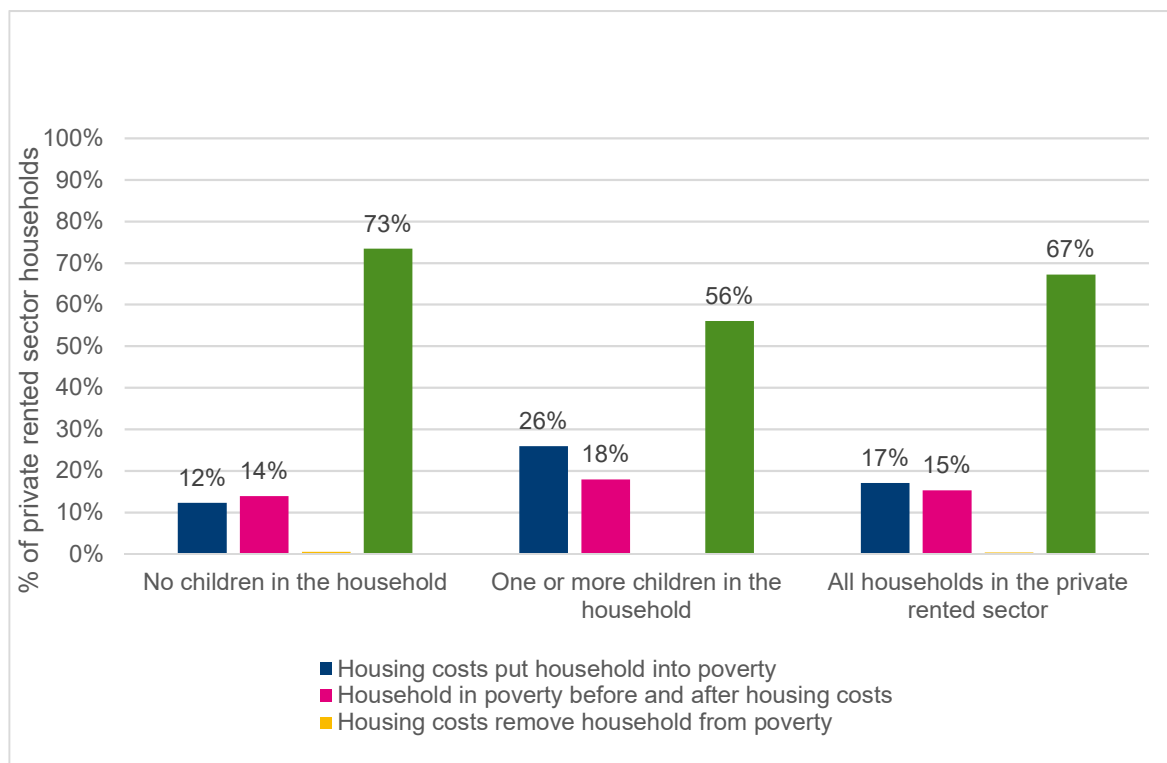


Figure 15. Relative poverty before and after housing costs in the private rented sector



### 3.3 How can we reduce poverty with social rent?

Housing costs are not affordable for many in the private rented sector. Over three quarters of households in the private rented sector (78% or 3,541,316 households) pay market rents, including 82% of households with one or more children. The level is markedly lower, at 54%\*, amongst households where at least one person is of state pension age. In total, over a million (1,181,628) households paying market rent in the private rented sector are in relative poverty after their housing costs are paid.

43% of households with children paying market rent rely on Housing Benefit to meet their rent payments, and a third (32%) of households with children paying market rent with at least one adult in employment rely on Housing Benefit.

Social rents are considerably lower than market rents, varying from around 30% of market rents in London to 69% in the North East<sup>vi</sup> (see appendix 1).

If households that are in relative poverty after housing costs<sup>3</sup> and paying market rent were offered a home at social rent then an estimated 71% (842,351) would be better off after savings to Housing

<sup>3</sup> This analysis does not take into account eligibility for social housing or under or over-occupation. The English Housing Survey defines households by occupants of a dwelling, which is different from the definition of a household for benefit purposes. Lone adults sharing accommodation and multiple family households are therefore included in the analysis.

Benefit are accounted for. This includes an estimated 646,092\* working households and 390,739\* households with children (equating to 732,274\* children). Amongst households that would be better off, the average (median) saving for households would be £61 per week<sup>4</sup>, which equates to £3,172 a year.

This would be enough to lift around 3,150,478 households and 828,595 people out of relative poverty after housing costs<sup>5</sup> (based on the 2015/16 relative poverty threshold). Around two fifths of these households (139,138\*) have one or more child, meaning that an estimated 242,753\* children would be lifted out of poverty by moving to a socially rented home.

In addition to saving those on the lowest incomes money, moving households in poverty to a social rent would save on Housing Benefit payment to an estimated 502,012 households, with over a quarter of those households (148,442) no longer requiring it. Amongst these 502,012 households, the median saving to Housing Benefit is estimated at £50.50\* per week, or an estimated collective saving of £1,783,074,042.

Table 2. The impact of social rent on poverty- rows do not sum due to overlap between groups

		All population	Number of children*
Total number of households in market rent poverty	1,181,628	612,818	1,142,991
Number households better off in social rent	842,351	390,739	732,274
Number of households taken out of poverty by social rent	315,048	139,138	242,753
Number of households with Housing Benefit saving in social rent	502,012	339,100	652,003
Number of households taken out of Housing Benefit by social rent	148,442	102,728	212,562

<sup>4</sup> Up to 56,136/ 5.5% of households in the sample (in poverty and paying market rent) may be impacted by the Benefit Cap in 2018 (based on their circumstances in 2015/16), which has not been accounted for in this analysis. These households would retain a larger proportion of the rent saving.

<sup>5</sup> This is an illustrative calculation based on the current threshold for poverty after housing costs in the 2015/16 English Housing Survey. It is noted that changing housing costs for a proportion of the population would alter the poverty threshold. However, the introduction of increased supply to the housing market would also have a wider impact which cannot be measured accurately.

Table 3. Rent type of private rented sector household

	<b>Number of private rented households in poverty but paying non-market rents or rent type unknown</b>
All population	287,255
Households with children*	95,886 (175,602 children)

## References

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<sup>i</sup> House of Commons Library 2018, Poverty in the UK Statistics. Available from:

<https://www.parliament.uk/commons-library> [Accessed 15/06/2018]

<sup>ii</sup> Department for Work and Pensions 2018 Households Below Average Income: An analysis of the UK income distribution: 1994/95-2016/17. Available from:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/691917/households-below-average-income-1994-1995-2016-2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/691917/households-below-average-income-1994-1995-2016-2017.pdf) [Accessed 26 November 2018]

<sup>iii</sup> See Child Poverty Action Group (2016) Improving Children's Life Chances. Available from:

[http://cpag.org.uk/sites/default/files/cpag\\_book\\_summary.pdf](http://cpag.org.uk/sites/default/files/cpag_book_summary.pdf) [Accessed 26 November 2018]

<sup>iv</sup> Gregg, Harkness and Machin 1999. Child poverty and its consequences. Joseph Rowntree Foundation, York. Available from <https://www.jrf.org.uk/report/child-poverty-and-its-consequences> [Accessed 11 December 2018]

<sup>v</sup> Bramley, Hirsch, Littlewood and Watkins (2016) Counting the cost of UK Poverty. Joseph Rowntree Foundation, York. Available from: [file:///fed-na01/FolderRedir/rebeccaharpley/Downloads/3221\\_-\\_counting\\_the\\_cost\\_of\\_uk\\_poverty\\_-\\_bramley\\_et\\_al\\_final%20\(1\).pdf](file:///fed-na01/FolderRedir/rebeccaharpley/Downloads/3221_-_counting_the_cost_of_uk_poverty_-_bramley_et_al_final%20(1).pdf) [Accessed 11 December 2018]

<sup>vi</sup> National Housing Federation Analysis based on: Homes and Communities Agency 2016 Statistical Data Return 2015 to 2016. Available from <https://www.gov.uk/government/statistics/statistical-data-return-2015-to-2016> [Accessed 28 November 2018] and Valuation Office Agency 2016 Private rental market statistics 2015. Available from <https://www.gov.uk/government/collections/private-rental-market-statistics#2015> [Accessed 28 November 2018].

## Appendix

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### Housing association rents as a proportion of private sector rents

Region	Monthly housing association rent	Private rented sector rents	Housing association as a % of private rented sector rents
East Midlands	£380.91	£565	67.42%
East of England	£434.31	£786	55.26%
London	£526.09	£1,727	30.46%
North East	£348.56	£505	69.02%
North West	£360.23	£567	63.53%
South East	£470.85	£959	49.10%
South West	£401.82	£731	54.97%
West Midlands	£386.69	£607	63.71%
Yorkshire and The Humber	£354.35	£556	63.73%
England	£415.53	£820	50.67%